GOVERNMENT OF INDIA
COMMERCE AND INDUSTRY
LOK SABHA

STARRED QUESTION NO:321
ANSWERED ON:15.04.2008
FINANCIAL IRREGULARITIES IN INDUSTRIAL UNITS IN SEZs
Murmu Shri Hemlal;Singh Shri Rajiv Ranjan (Lalan)

Will the Minister of COMMERCE AND INDUSTRY be pleased to state:

(a) whether the Comptroller and Auditor General(C&AG) in his recent report has revealed that due to the shortcomings in the policy and in the rules and procedures framed for the Special Economic Zones(SEZs), the Government has suffered huge revenue losses;

(b) if so, the details of the loss of revenue during 2007-08 alongwith the details of the shortcomings pointed out by the C&AG thereof;

(c) whether the C&AG has detected cases where such units in these tax free zones are selling majority of their products within the country rather than exporting them; and

(d) if so, the number of such cases pointed out by C&AG and the action taken by the Government in this regard?

Answer

MINISTER OF COMMERCE AND INDUSTRY (SHRI KAMAL NATH)

(a) to (d) A statement is laid on the Table of the House.

STATEMENT REFERRED TO IN REPLY TO PARTS (a) TO (d) OF LOK SABHA STARRED QUESTION NO.321 FOR ANSWER ON 15th APRIL. 2008 REGARDING `FINANCIAL IRREGULARITIES IN INDUSTRIAL UNITS IN SEZ`

(a)&(b): The Report of the Comptroller and Auditor General of India (C&AG) for the year ended March, 2007 on Performance Audit on Union Government - Indirect Taxes, have inter alia, raised certain issues relating to Special Economic Zones (SEZs). These issues mainly relate to achievement of Net Foreign Exchange (NFE) through deemed exports; duty foregone on inputs used in exempt products cleared in DTA? non achievement of NFE positive by certain units; violation of conditions of Letters of Permissions (LOPs); short levy of duty on Domestic Tariff Area (DTA) sales, etc. The details of the CAG findings including duty , . forgone as per the said Report and various illustrative cases mentioned in the Report are also available in CAG web-site : www,cag.gov.in.

(c) &(d): In its audit report, the scope of which covered 2061 SEZ units, C&AG has observed that 22 units had been achieving the prescribed positive NFE mainly through domestic sales. It is to be noted that as per figures compiled for the year 2007-08, physical exports from the SEZs are of the order of Rs. 64623 crore, which is 87% of their total turnover. During this period, the domestic supplies made by SEZs was about 9% and sales in domestic tariff area not counted for positive NFE was about 4%. The Approval Committees under the Development Commissioners constituted for all Zones, which comprise of representatives from Customs, Income-tax, State Governments etc. have been directed to constantly monitor the performance of the SEZ units.